

Message Text

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ACTION EB-07

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2079

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E.O. 11652: N/A

TAGS: EGEN EFIN ETRD EG

SUBJ: ACCOMMODATION EXCHANGE RATE

REF: CAIRO 2274

1. REFTEL REPORTED OFFICIAL GOE INCREASE OF TOURIST "INCENTIVE" (PARALLEL) EXCHANGE RATE FROM \$1 EQUALS 57 PIASTRES TO \$1 EQUALS 64.5 PIASTRES. ON FEBRUARY 20, 1976 EMBASSY EXCHNAGE TRANSACTION FOR TOURISTS, U.S. RESIDENTS AND USG EMPLOYEES WERE INITIATED AT THIS NEW RATE.
2. REFTEL ALSO RECOMMENDED THAT ACCOMMODATION EXCHANGE RATE FOR USG EMPLOYEES BE FURTHER INCREASED TO \$1 EQUALS 70 PIASTERS. MESSAGE CITED VARIOUS REASONS WHY INCREASED ACCOMMODATION RATE WOULD BE MORE ADVANTAGEOUS TO US GOVERNMENT.
3. U.S. TREASURY-OWNED EGYPTIAN POUND HOLDINGS CONTINUE NEAR THE LE 170 MILLION LEVEL, AND WHILE LARGER DRAWINGS HAVE BEEN MADE ON THE ACCOUNT IN THE LAST TWO YEARS BECAUSE OF INCREASED STAFF AND OFFICIAL PURCHASES, INTEREST AND LOAN PAYMENTS ADD OVER LE 11 MILLION TO ACCOUNT ANNUALLY.

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4. WITH TOURIST RATE AND USG ACCOMMODATION RATE AT SAME

LEVEL, OFFICIALS USG VISITORS OFTEN FIND IT MORE CONVENIENT TO PURCHASE POUND REQUIREMENTS FROM OUTLETS OTHER THAN EMBASSY ACCOMMODATION EXCHANGE WINDOW. EMBASSY CAIRO HANDLES AN AVERAGE OF 175 OFFICIAL USG VISITORS PER MONTH. AVERAGE VISITOR STAYS 5 DAYS AND, WITH PERDIEM ESTABLISHED AT \$50 PER DAY, AN ESTIMATED \$525,000 IS CONVERTED INTO POUNDS ANNUALLY FOR HOTEL BILLS, FOOD, SUNDRIES, TOURS AND SOUVENIERS. SOME TRAVEL ORDERS AUTHORIZE DISBURSEMENT OF PER DIEM IN POUNDS ONLY; HOWEVER, FOR MAJORITY, DOLLARS ARE EXCHANGED AT POINTS OF ENTRY, HOTELS, BANKS AND OTHER CONVENIENT LOCATIONS IN ADDITION TO EMBASSY WINDOW AND OPPORTUNITY TO OBTAIN MAXIMUM AVAILABLE HARD CURRENCY FOR POUND HOLDINGS IS LOST. IF A HIGHER ACCOMMODATION RATE WERE AVAILABLE TO USG EMPLOYEES, ALMOST ALL OF THIS HALF MILLION DOLLARS WOULD BE EXCHANGED THROUGH THE EMBASSY FACILITY. IN ADDITION TO OFFICIAL VISITORS, THE MORE FAVORABLE RATE PROBABLY WOULD ENCOURAGE THE GROWING USG OFFICIAL COMMUNITY TO EXCHANGE MORE DOLLARS FOR POUNDS SINCE PRICES FOR SOME ITEMS (NOW IMPORTED) WOULD BE MORE COMPETITIVE ON THE LOCAL MARKET.

5. THE "FREE MARKET" RATE IN PORT SAID REMAINS AT APPROXIMATELY \$1 EQUALS 75 PIASTRES AND OCCASIONALLY RISES TO 80 PIASTRES TO THE DOLLAR. THIS EVIDENTLY IS TREATED AS AN OFFICIALLY SANCTIONED RATE IN THIS FREE PORT AREA.

6. THE EMBASSY THUS BELIEVES THAT THE RECOMMENDED INCREASE IN THE USG ACCOMMODATION EXCHANGE RATE TO \$1 EQUALS 70 PIASTRES WOULD FURTHER THE POLICY OF MAXIMUM UTILIZATION OF US TREASURY-OWNED HOLDINGS IN EGYPT.

7. EARLY FAVORABLE CONSIDERATION WOULD BE APPRECIATED.
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